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SUBJECT: NATIONAL ACCOUNTABILITY BUREAU EXPECTED TO REMAIN INTACT

11. (SBU) Summary: Pakistan's anti-corruption agency, the National Accountability Bureau (NAB)--once one of the country's preeminent law enforcement institutions--has in the past two years become increasingly marginalized. In a 14 July meeting with NAB Chairman, Nawid Ahsan, Treasury Attach and Resident Legal Advisor (RLA) were advised of legislation pending in the National Assembly which would reorganize the agency, remove top leadership, reduce sentencing authority, and change the organization's name. The organization's core structure and mission would purportedly remain intact. Chairperson of the Standing Committee on Law and Justice, Nasim Chaudry, confirmed to Treasury Attach and RLA the pending changes, but maintained that any change was in response to "past abuses" by the NAB as it pursued politically-motivated cases against politicians. Changing the law substantially, however, could be problematic. Should the GOP go so far as to seriously diminish the NAB's authority and independence, Pakistan could be in violation of its obligations under the U.N. Convention against Corruption. End Summary.

12. (SBU) In a July 14 meeting, National Accountability Bureau (NAB) Chairman Nawid Ahsan reviewed the contents of a bill now pending in the National Assembly Standing Committee on Law and Justice to reduce the maximum punishment for corruption from 14 years to seven, appoint a sitting or retired justice from the Supreme Court to serve as Chairman of the NAB, and to rename the NAB. The bill purportedly will allow the NAB to retain all existing employees and its operating budget of \$7.3 million. Although the Chairman expects passage of the bill by September, two issues could delay final passage. First, the Chairman believes it is unlikely the Supreme Court Chief Justice, Iftikhar Chaudhry, will allow a sitting or retired Justice to serve as NAB Chairman. Second, he said members of the Pakistan Muslim League - Nawaz (PML-N) believe the maximum sentence for financial crimes should be reduced further to three and a half years.

13. The Chairman reviewed what he argues are the NAB's past successes. Most NAB cases fall into one of three categories: (1) political corruption, including bribes and embezzlement, (2) officials in possession of assets beyond their means (a crime in and of itself under Pakistani law), and (3) real estate fraud and pyramid schemes. The NAB has also prosecuted at least one money laundering case, and works directly with Pakistan's new Financial Monitoring Unit at the State Bank of Pakistan. The NAB can investigate politicians, government bureaucrats, former military officers, and military officers seconded to civilian departments. However, in addition to active duty military officers, the NAB does not investigate members of the judiciary since their activities are

overseen by the Supreme Judicial Council. The Chairman remarked that many of NAB's case referrals came from tips from private citizens.

14. (SBU) Because of severe cuts in the operating budget this past year, NAB has not taken on any new cases and has only had enough staff to finish existing ones. While the Chairman noted he would like to open cases addressing corruption in the energy sector, he simply did not have the resources. In the energy sector, the NAB has only one open investigation involving government kickbacks in the Oil and Gas Development Agency; further efforts are dependent on new funding. At the beginning of the previous fiscal year, the NAB's operating budget was cut to \$1.8 million, from a request of \$10 million. Although NAB eventually received a few million dollars in additional funding, it was still forced to lay off approximately 450 contract employees. Even with these restraints, however, NAB was still able to recover over \$36 million in seized criminal assets in the past year.

15. (SBU) The Chairman noted he has had mixed success in using mutual legal assistance agreements to repatriate illegal assets in foreign countries. The NAB has had the most success with the United States and Great Britain, although the Chairman said the latter's bureaucracy is often cumbersome. The Chairman complained that trying to repatriate stolen assets from countries in the Persian Gulf, however, is nearly impossible - despite having agreements in place. For example, when NAB officials approach the UAE Government, they will be continuously redirected to different government offices with no resolution of their request.

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16. (SBU) Despite these challenges and setbacks, the Chairman was hopeful he could still improve his cooperation with the law enforcement agencies in other countries, provided the NAB is not abolished or fundamentally altered by its critics in the National Assembly. If this happened, however, Pakistan would be without a functioning anti-corruption agency, and according to the Chairman, this could jeopardize Pakistan's participation in the United Nations Convention against Corruption and Pakistan's existing mutual legal assistance agreements. In response to whether his mandate in the past year has changed or narrowed, the Chairman stated it had not.

17. (SBU) In a separate meeting with Chairperson of the Standing Committee on Law and Justice, Ms. Nasim Akhtar Chaudry, no indication was given that the NAB would be disbanded, but she did hint that future investigations against politicians would have to be approved by a parliamentary committee before the NAB could move forward. Chaudry frequently referred to the NAB as an instrument of executive abuse by former President Musharraf. Chaudry stated her intent is only to reform the NAB and make it "an improved anti-corruption agency." Chaudry said her committee felt the NAB's budget should be approximately \$11.5 million.

18. (SBU) Chairperson Chaudry said that the exact contents of the bill are still being drafted, but she did confirm some of the changes being considered: change the name of the NAB; replace the chairman of the NAB with a sitting or former justice of the high or supreme court; require parliamentary approval for investigations of politicians; reduce the maximum sentence for financial crimes from 14 years; and reduce the authority of the Governor of the State Bank of Pakistan.

19. (SBU) Treasury Attach and RLA pressed Chaudry for additional information on this last point, and emphasized that a strong and independent Central Bank Governor was a critical component of any country's economy (Comment: Chaudry appeared unaware that the NAB already has authority to bypass the SBP and approach commercial banks directly. End Comment). When asked to explain how the GOP can place a sitting justice as the NAB Chairman when Chief Justice Chaudry has stated publicly he is against justices serving in government positions, Chairperson Chaudry conceded they may have to find a retired justice. Treasury Attache and RLA also stressed to Chaudry that requiring parliamentary approval for political cases to move forward would undermine the independence of the NAB.

Chaudry promised to consider this issue, and acknowledged that such a requirement could indeed compromise the investigative independence of the NAB.

¶10. (SBU) Comment: Political abuse and manipulation by the previous government has left the NAB in disrepute and weakened popular respect for it as a law enforcement agency. Nevertheless, properly structured and motivated, the NAB can and should play a critically important - and a growing - role in helping to restore confidence in Pakistan's governance and business climate. The recently released World Bank and Asia Pacific Group Mutual Evaluation of Pakistan's anti-money laundering and counterterrorist financing regime recognized the NAB as the best financial investigative agency in Pakistan. We will continue to encourage our interlocutors to find ways to reform the NAB and end past abuses without detracting from the good work it can perform potentially.

FEIERSTEIN